

S-E-C-R-E-T

16 October 1951

MEMORANDUM

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To : CIA Office Representatives Meeting on ORR Project 100-51
From : A/WAR/RR
Subject: Proclaimed Listing

1. The problem of intelligence support for proclaimed listing will be discussed at a meeting of CIA representatives at 1400 hours Tuesday, 16 October, in room 2329 L Building.
2. The responsibility for the assembly of pertinent source material and the final production of a CIA plan for intelligence support of a U.S. Proclaimed List presumably will rest with A/WAR/RR.
3. It is requested that the attached statement of the problem be considered in advance of the meetings.

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Blacklisting as a Measure of Economic Warfare

I. Definition

Proclaimed Listing, also known as blacklisting, is the public recording of firms or persons against whom there is evidence of trading with the potential or actual enemy, or of supporting his cause.

II. Purposes

The principal purposes of blacklisting are to deny the enemy, potential or actual, strategic commodities and significant financing and to minimize or eliminate the influence of unfriendly firms or persons in neutral and allied countries by limiting or stopping their business activities, and thereby to assist in destroying propaganda, espionage, and sabotage outposts of the enemy.

III. Current U.S. Policy

It would be undesirable at this time to publish a "blacklist" or "proclaimed list". However, to assist in tightening the enforcement of existing export and other controls and as a preliminary step in preparing a more formal "blacklist", arrangements should be made to develop a central file of information on individuals, firms and corporations suspected of evading U.S. or international controls.

IV. Employment of the Weapon of Blacklisting

A. Prerequisites for Effective Use

1. Existence of a high degree of interallied cooperation.
2. Adequate and timely intelligence.
3. An enemy having large trading interests abroad. (Note: The NSC guidance study on "Proclaimed Listing" concludes that this measure would not be particularly effective against the Soviet bloc, stating that: "Unless new intelligence would uncover the existence of unsuspected trade tentacles of some substance and distribution, there seems little likelihood of extensive employment of the proclaimed listing (i.e., blacklisting) technique per se in a case of war with the Soviet Orbit." Comment: In view of the extensive use of foreign intermediaries by the Soviets for the procurement of strategic materials, this NSC conclusion is no longer valid.

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B. Measures Used to Supplement

1. Export and import controls
2. Credit and exchange controls
3. Shipping controls
4. Blocking of accounts
5. Vesting of property
6. Refusal of visas and passports

C. Recommendations of NSIB on Responsibility for Implementation

1. The organizational location of the operation should be in close proximity to other economic warfare operations. The function would seem to belong... "to the organizational unit in the Executive Branch having chief responsibility for foreign economic activities in case of war."
2. It is recommended that "the primary responsibility for the application of the confidential list and, perhaps, of the proclaimed list be undertaken by the Department of State on an interim basis upon the outbreak of major hostilities."
Comment: There should be inquiry to determine if the Department of State or some other department or agency has planned to undertake this responsibility.

V. Blacklisting Practice in World War II

A. Legislative Authorization and Administration

The U.S. Black List in World War II was designated as the "Proclaimed List of Certain Blocked Nationals". This list was authorized by Presidential Proclamation of July 17, 1941 under authority vested in the President by the Trading with the Enemy Act, as amended. It may be noted that no new legislation is necessary for the formulation and application of proclaimed lists. The Trading with the Enemy Act and Executive Order 8389 (with amendments) remain in effect. The publication of a black list awaits only the need and availability of supporting intelligence information. Furthermore, full-scale black listing for purposes of controlling exports is possible under the Export Control Act of 1949.

During World War II, the List was administered by an Inter-Departmental Committee comprised of representatives from State, Commerce, Treasury, Foreign Economic Administration, Justice and the Office of Inter-American Affairs. The administrative procedures connected therewith were assigned to the newly-created Division of World Trade Intelligence in the Department of State, which thereafter coordinated the investigation of suspicious activities and the collection of Proclaimed List data.

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The List was policed by the following agencies: Board of Economic Warfare, Bureau of Customs, Office of Censorship, departments of the Treasury and Commerce, Federal Reserve Banks, and Foreign Service officers.

Among the criteria used as a basis for considering candidates for listing in World War II were ownership or control by enemy nationals; ideology sympathetic to the enemy cause; commercial, financial and political activities benefiting the enemy; cloaking ownership or trade transactions on behalf of enemy nationals and/or other listees. Enemy ownership or trade, however, did not result in automatic listing. In areas such as Switzerland, listing was resorted to only to make examples of firms which had intentionally increased trade with the enemy or who had re-exported to the enemy goods imported through the Allied blockade. The List was operative not only in respect to so-called neutral areas, but also included listees in Allied countries which had not instituted controls sufficiently adequate to satisfy the security and economic warfare objectives of the U. S. Government.

VI. Summary of Current Agency Responsibility in this Field

The Proclaimed List was terminated on July 3, 1946. At present, however, several government agencies maintain lists of firms and individuals who may become eligible for future enrollment on any re-activated Proclaimed List. None of these lists are published although certain publicity has been given to names on the list of the Department of Commerce, e.g., the Janik and Van Udens cases.

A. Department of State

Reports submitted by Foreign Service officers on important individuals and firms in foreign countries are indexed by the Division of Biographic Data, but it is not possible to identify quickly those which are known to be in sympathy with Communism. Political Desks in the Department have responsibilities in this field, but it is not known whether indexed lists of firms and individuals are maintained.

The Visa Division of the Department has developed records on over 700,000 individuals since 1941, many of whom are businessmen. The method of indexing does not, however, enable quick identification of businessmen.

B. The Department of Commerce

The WTD (World Trade Directory) is a fruitful source of

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information in support of Blacklisting. Its potentiality in this field was greatly increased as the result of the issuance of a Commerce directive of 21 March 1951 which called attention "to the current need for and desirability of covering in World Trade Directory reporting any information, political or otherwise, bearing on the suitability of the subject firm or individual as either a consignee or as a trade connection, or which may have security value." The circular enumerates eight factors which are significant in this connection, among which are transshipment or attempted transshipment to the Soviet bloc, serving as buying or selling agents of Soviet trading monopolies, "trade with the USSR or any of the satellite countries whether such trade is historic, in connection with existing or proposed international trade agreements, or newly established." It should be noted, however, that the WTD is not an indexed card system and that a security problem exists in the addition of information thereto by reason of availability of WTD information to the business world. The Department also maintains the Special Check List (names of suspected foreign traders) and the OIT Check List (names of suspended domestic traders). The Special Check List is commonly referred to as the U.S. Watch List.

An intensive effort is being made by the Investigation Staff of the Department to detect and prevent transshipments and diversions of strategic materials exported from the United States. Close liaison is maintained by the Staff with intelligence agencies in furtherance of this objective. Licensing officers of OIT regularly avail themselves of consignee data available in the WTD, Special Check List and the OIT Check List.

C. Economic Cooperation Administration

The office of the End-Use Assistant, Office of the Controller, maintains complete files pertaining to diversions of ECA-financed goods and the firms and individuals involved therein. Conversations held in June 1951 with that Office reveal that a closer liaison would be mutually beneficial.

D. Department of Defense

This Department has followed closely developments in the field of blacklisting; the Munitions Board has been delegated responsibility for maintaining liaison with other departments and agencies on listing procedures and techniques.

E. Central Intelligence Agency

Explicit information with respect to CIA participation in this field is contained in Memorandum from Chief, D/C of 15 October 1951.

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VII. Appraisal of Facilities and Capabilities

Data now available in Washington are incomplete and not readily interpreted because first they must be screened and winnowed from a mass of extraneous material. There is an urgent need for a comprehensive and coordinated Watch List, supported by files on each name, and coded on punch cards to indicate nationality, commodity groups and sub-groups, trade areas, and other relevant information. This could furnish the nucleus of a Proclaimed List during an emergency or in the event of war.

The NSRB Study on Proclaimed Listing indicates that "CIA has been queried as to the existence and availability of intelligence indicating the need for or the utility of a published blacklist in the event of war, and the status of its facilities for gathering information required in a blacklisting program. It would appear that no study of this nature has been made, that relevant material is spotty, and that adequate facilities to collect the necessary data do not exist."

VIII. International Developments in the Field of Blacklisting

A. In COCOM (Coordinating Committee, Paris)

In recent months, there has been an exchange of cables between the Department of State and the American Embassy, Paris, on the establishment of an International Black List, to be administered by COCOM. The following is a summary of available information on this subject.

The Departments of State and Commerce have reviewed the COCOM proposal for a secret Black List and agree that the establishment of such a list would be desirable. The Department of State, however, has questioned the exact interpretation of certain criteria in the COCOM proposal. It challenges paragraph 3 (b) in that it would apply "to firms which legally as well as illegally engaged in trade with the Soviet Bloc in security items, which the Department understands is not the intention of the subcommittee." The Department feels that the criteria for listing should apply only "to shipments of security goods originating in or transshipping participating countries in violation of the export or transit controls of those countries." It agrees, however, with American Embassy Paris that provision should be made for inclusion of the names of those firms or individuals who "have participated knowingly in the export of security goods from other countries to the Soviet Bloc in contravention of the controls exercised by those 'outside' (non-COCOM) countries over such shipments."

The Department understands that the proposal of names for inclusion in the list would presumably be based "on documentary evidence and conclusive intelligence information...and that..."no firm or individual in a non-participating country should be included on the list unless

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there have been formal administrative or other legal proceedings instituted by one of the PCs (participating countries)." The Department points out that the U.S. would continue to maintain the Department of Commerce Special Check List to insure against the transshipment or re-exportation of U.S. licensed commodities to undesirable destinations.

The Department on 14 September called attention to an extensive review being undertaken by the Department of Commerce of foreign firms and individuals on the Check List who are not subjected to license denial orders. This review is preliminary to the transmittal of firms and individuals which the U.S. proposes for inclusion in the List.

B. In the United Nations

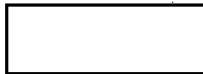
The Collective Measures Committee of the United Nations has also taken an interest in the technique of blacklisting as a measure to deter aggression. Its Position Paper on Export Controls of 10 July 1951 (EPCMC Memorandum 5a) states that effective international controls of exports would require, among others, adequate export control enforcement procedures, including international blacklisting. It recognizes the problem of effectiveness conditioned upon willingness of participants to permit listing of their nationals. The paper indicates that two criteria should be considered as a basis for blacklisting, viz.: (a) when it is conclusively shown that the subject has shipped, or contracted to ship, equipment and materials to aggressors against the intent of the country's economic controls; and, (b) when the subject has been shown to have served, or been committed to serve, the interests of aggressors by way of any activity deemed to be highly prejudicial to the United Nations interests.

The EPCMC report of 19 September 1951, however, appears to contain no reference to the use of blacklisting as a technique to weaken or deter an aggressor.

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TO



DATE: 15 October 1951

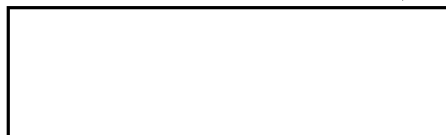
FROM : Chief, Requirements and Control Division, ORR

SUBJECT: Black List

1. Attached herewith is a memorandum from Analysis Division, ORR, requesting the establishment of a group to work on matters relating to the black listing of firms engaged in commerce with the Soviet Orbit.

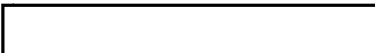
2. A meeting is to be held on this matter in Room 2329  Building at 1400 hours Tuesday, 16 October, and it is requested that your office send a representative.

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Attachment

25X1 I have talked with  of office about this and believe that our sole concern with the problem will arise if difficulties are encountered in the coordination of the project, and this is highly unlikely. This memo may therefore be considered a courtesy copy, to keep us informed.



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MEMORANDUM

12 October 1951

TO : Chief, Requirements and Control Division

FROM : Chief, Economic Analysis Division

SUBJECT: Creation of Task Group to Develop CIA Program re Project 100-51,
"Preparation of a Plan for Maintaining a Watch List of
International Traders"

1. It is requested that action be taken to obtain from the following offices of CIA the designation of a representative on a Task Group to develop a CIA program of intelligence support to the maintenance of a U.S. Watch List: ORR, OCD, OCI, OSO, OO, OSI.

2. There is currently under consideration before COCOM a proposal for the establishment of an International Black List, in connection with which Embassy Paris has requested the Department of State to transmit the names of firms and individuals which the U.S. proposes for inclusion in the List. This Agency is in a position to furnish intelligence support for this program; the first step toward this end is the development and coordination of a CIA program, as outlined in Project 100-51, attached.

3. Certain preliminary steps have been taken by A/WAR in anticipation of such a program of intelligence support, as follows:

a. A/WAR has accumulated information on the activities of approximately 3,000 firms and individuals reported to be supplying the Soviet bloc with strategic materials.

b. A/WAR has had conversations with other CIA components having an interest in this field and has ascertained that:



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4. Several agencies of the Government are vitally concerned with this problem. The Department of Commerce maintains the WTD (World Trade Directory) of some 700,000 names; it also is responsible for the Special Check List and the OIT Check List. Other Departments (viz., State, AEC, Post Office, and Treasury) also maintain "name" lists for purposes related to departmental activities. Subsequent to discussions within CIA, it is planned to contact these interested agencies to establish working liaison and to develop a government-wide program.

5. Since this Agency is in possession of a considerable volume of intelligence concerning those firms and individuals whose trading and related activities are reported to be inimical to U.S. security interests, it is essential that the requested Task Group be established within CIA at the earliest possible moment.

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INTERDEPARTMENTAL STAFF GROUP

NSRB - Chairman

Agriculture - G. Herman Gilbertson

Treasury - Norman Tietjens

Labor - Thatcher Winslow

National Defense - Joseph Taggart (Economic Advisor
to Munitions Bd.)

Interior - James Boyd - Div. Bureau of Mines

State - Edwin Martin - Dep. Div. I.T.P.

Commerce - William H. Shaw

NSRB - (Sec) Duane Krayner

FOREIGN ECONOMIC AFFAIRS

Informal Group under Winant (Work Group)

Martin; Shaw; Gilbertson; Arnold (Treas.);

Col. Carl Tischbein (Munitions Board)

ASSIGNED TO STATE

1. General Framework for International Cooperation
2. Foreign Economic Assistance
3. Preclusive Buying

1. This paper needs ~~considerable~~ revision in the light of the N.S.C.I.D.s.

2. The paper is underclassified or else N.S.C.I.D. 5 should be reduced (see middle of page 26) Also V.A. 2/14

3. Either C.I.A. is doing a lot of things as a ^{common} "central service" that it is not authorized to do or (at least) the writer of the paper doesn't know what C.I.A. is doing. Maybe N.S.C.I.D. setting forth the Industrial Register, the Graphic Register, Central Map Register etc responsibilities is in order.

4. How many non-I.A.C. agencies know of the existence and content of N.S.C.I.D. 7?

5. A better name for "Economic Warfare" should be sought. Unless the paper is to recognize a "state of war" and an "enemy".

6. Sec. III Fourth is a fallacious presentation of the job of Intelligence. Intelligence is not & should not be a "policy maker" nor should the operators be their own intelligence producers. X

7. I do not consider that the Discussion supports the conclusion reached in Sec III Fifth. If adequate research staff was available the "resources" might be adequate & if the writer & others know all that is going on it would help also.

8. The N.I.S. program is in support of the economic program but is not intended to fully support it. X

9. Perhaps we need a Jigawatt type committee in the field of economic intelligence. (V.A.) X

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from CIA

State

Warfare Planning

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Committee

Special Interdept Center
under Hartigan Com

State Rep. on each of
Chairman each

"Preclusive Buying"

"Foreign Econ Assistance"

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